

EXHIBIT B

This is non-union &  
mgmt employees **NiSource**

Robert C. Skaggs, Jr.  
President

801 E. 86<sup>th</sup> Avenue  
Merrillville, IN 46410

June 16, 2005

Dear Colleague:

As you know, this year is pivotal for NiSource as we lay the foundation for achieving our goal of long-term, sustainable growth. As we have been moving forward with outsourcing and our growth initiatives, we also have been evaluating the overall costs of operating our businesses. One aspect of our costs that we reviewed is our employee benefits offerings.

In light of the national trend toward escalating health care costs, NiSource's experience with health care cost inflation, as well as comparisons of our overall benefits with those of other large companies, we've determined this review to be prudent. Our analysis indicates that the richness of NiSource's existing benefits design substantially exceeds the utility industry average and, to an even greater extent, that of companies in general industry.

And, as a result, beginning in 2006, NiSource will make changes to certain aspects of exempt employees' medical and dental benefits and retirement programs that will better align us with the utility industry average, while keeping us above average as measured against general industry. They include:

- A cap on NiSource's future contributions toward the overall cost of medical and dental plans for exempt employees.
- The opportunity for current exempt employees to elect a new account balance pension design, with a new 401K savings plan match, effective Jan. 1, 2006. Alternatively, through 2010 employees may retain their current retirement income program (pension and savings plan match). By 2011, all current exempt employees will be covered under the new retirement program design.
- Also, a reduction in retiree life insurance for future exempt retirees.

Together, these changes will help NiSource better manage its costs, while maintaining competitive benefits offerings.

Further details about these changes will appear in articles and Q&As that will be posted to *MySource* later this month. In addition, a phone line will be available to respond to employee questions about these benefit changes. Beginning today, you can call 219-647-6938 with your name, phone number and question. Someone will get back to you in 24 hours with either an answer or an estimate of the response time for an answer.

You also will receive additional information about these changes over the next few weeks, continuing through the annual enrollment period this fall. Employee presentations, newsletters and enrollment packages all will provide you with information and tools, so you and your family can be fully aware of the changes and make choices appropriate for your individual situation. Additionally, you will receive information regarding steps you can take to help reduce health care costs for both you and NiSource.

Thank you in advance for your ongoing understanding and support.

Sincerely,

*Bob Skaggs*